



KWADUKUZA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2007**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 56, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

MOS ZUNGU
MUNICIPAL MANAGER

Date

**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		616 392 382	532 965 628
Housing operating account	1	96 182 078	105 567 327
Accumulated surplus		520 210 304	427 398 301
Non-current liabilities		128 997 603	105 510 909
Long-term liabilities	2	97 509 969	79 234 294
Non-current provisions	3	2 333 333	-
Retirement benefits	4.1	24 069 482	21 761 933
Long service awards and retirement gifts	4.2	5 084 819	4 514 682
Current liabilities		94 522 250	77 705 017
Deposits	5	11 201 649	9 765 587
Provisions	6	1 166 667	-
Creditors	7	67 821 799	59 058 574
Unspent conditional grants and receipts	8	11 416 123	6 072 786
Current portion of long-term liabilities	2	2 916 012	2 808 070
Total Net Assets and Liabilities		839 912 235	716 181 554
ASSETS			
Non-current assets		645 501 575	544 337 437
Property, plant and equipment	10	532 793 648	505 386 148
Intangible assets	11	2 418 704	-
Investment properties	12	70 021 000	8 668 800
Investments	13	40 021 840	35 373 799
Long-term receivables	14	246 383	(5 091 310)
Current assets		194 410 660	171 844 117
Inventories	15	12 870 189	12 889 537
Consumer debtors	16	55 143 279	79 186 261
Other debtors	17	28 789 032	2 933 909
Value added taxation	9	1 175 059	-
Current portion of long-term receivables	14	2 573 400	19 782 368
Call investment deposits	18	72 108 229	20 497 594
Bank balances and cash	19	21 751 472	36 554 448
Total Assets		839 912 235	716 181 554

**KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2007**

REVENUE	Note	2007 R	2006 R
Property rates	20	84 635 221	80 995 525
Property rates - penalties imposed and collection charges		5 136 662	7 072 649
Service charges	21	161 709 634	140 376 819
Rental of facilities and equipment		591 988	702 529
Interest earned investments		8 571 732	5 773 113
Interest earned outstanding debtors		3 717 060	4 871 229
Fines		5 747 604	4 296 212
Licences and permits		3 978 154	3 897 961
Government grants and subsidies	22	44 855 220	23 078 382
Other income	28	11 133 166	8 560 042
Gain on disposal of property, plant and equipment		5 085 721	-
Revaluation of investment properties	12	61 352 200	-
Total Revenue		396 514 362	279 624 461
EXPENDITURE			
Employee related costs	23	82 091 345	74 129 497
Remuneration of councillors	24	7 167 028	4 074 555
Collection costs		1 612 180	2 000 915
Ammortisation	11	309 220	-
Depreciation	10	25 127 636	23 285 072
Repairs and maintenance		24 578 997	21 726 446
Finance costs	25	10 215 218	8 094 100
Bulk purchases	26	92 342 390	80 151 176
Contracted services		10 196 506	8 245 039
Retirement and long services benefits		2 877 686	26 276 615
General expenses	27	63 134 917	49 129 795
Loss on disposal of property, plant and equipment		-	-
Adjustments to provisions	3, 16	(5 471 714)	-
Less: Recharges		(22 529 754)	(20 341 242)
Total Expenditure		291 651 654	276 771 968
SURPLUS FOR THE YEAR		104 862 708	2 852 493

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2007

	<u>Housing Operating Account</u> R	<u>Capital Replacement Reserve</u> R	<u>Capitalisation Reserve</u> R	<u>Government Grant Reserve</u> R	<u>Donations and Public Contribution Reserve</u> R	<u>Revaluation Reserve</u> R	<u>Accumulated Surplus</u> R	<u>Total</u> R
2005/06								
Balance as previously reported	554 319	32 195 048	35 169 243	227 121 335	15 214 268	206 773 291	50 312 810	567 340 314
Change in accounting policy (Note 29)	84 126 980	(32 195 048)	(35 169 243)	(227 121 335)	(15 214 268)	(206 773 291)	432 346 205	-
Correction of errors (Note 36)	(9 234 902)						14 577 181	5 342 279
Restated balance at 30 June 2005	75 446 397	-	-	-	-	-	497 236 196	572 682 593
Adjustments - prior year							(50 328 438)	(50 328 438)
Surplus for the year							2 852 494	2 852 494
Transfer to Housing operating account	5 832 980						(5 832 980)	-
Capital grants used to purchase property, plant and equipment previously credited to reserves	2 504 941						15 699 165	18 204 106
Correction of prior year errors (Note 36)	21 783 009						(32 228 136)	(10 445 127)
Balance at 30 June 2006	105 567 327	-	-	-	-	-	427 398 301	532 965 628
2006/07								
Surplus for the year							104 862 708	104 862 708
Prior year adjustments							(5 653 035)	(5 653 035)
Changes in accounting estimates (Note 41)							(7 139 343)	(7 139 343)
Transfer from Unspent Grants and Subsidies							22 706	22 706
Transfer to Housing Operating Account - Deficit on housing activities	(4 790 223)						4 790 223	-
Transactions processed through Housing Operating Account	(8 666 282)							(8 666 282)
Transfer to Housing Operating Account - funding of discounts and benefits	4 071 256						(4 071 256)	-
Balance at 30 June 2007	96 182 078	-	-	-	-	-	520 210 304	616 392 382

KWADUKUZA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		386 202 428	-
Cash paid to suppliers and employees		(286 910 295)	-
Cash generated from / (utilised by) operations	30	99 292 133	(35 400 823)
Interest received		8 571 732	5 773 113
Finance costs		(10 215 218)	(8 094 100)
NET CASH FLOWS FROM OPERATING ACTIVITIES		97 648 647	(37 721 810)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(56 283 406)	(36 512 939)
Proceeds on disposal of property, plant and equipment and investment property		6 106 067	10 888 500
(Increase) / decrease in non-current receivables		(5 337 693)	(502 993)
Decrease / (increase) in non-current investments		(4 648 041)	4 786 149
NET CASH FLOWS FROM INVESTING ACTIVITIES		(60 163 073)	(21 341 283)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		21 634 320	-
Loans repaid		(3 250 703)	-
Increase in consumer deposits		1 436 062	-
Increase / (decrease) in external long term loans		-	11 841 890
Increase / (decrease) in short term loans		-	(12 931 402)
Increase in liability for retirement and long service awards		-	26 276 615
Increase / (decrease) in contributions from public / state		-	18 204 106
NET CASH FLOWS FROM FINANCING ACTIVITIES		19 819 679	43 391 209
NET INCREASE IN CASH AND CASH EQUIVALENTS		57 305 253	15 671 884
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		36 554 448	20 882 564
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	93 859 701	36 554 448

There are no comparative figures for cash receipts and cash paid as the information was not available.

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 9	Revenue
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING OPERATING ACCOUNT

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan.

During the year under review it has been found that the capital replacement reserve is no longer appropriate and does not lead to fair presentation and as a result of this change in accounting policy has been transferred to the accumulated surplus.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

During the year under review it has been found that the capitalisation reserve is no longer appropriate and does not lead to fair presentation and as a result of this change in accounting policy has been transferred to the accumulated surplus.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

5. RESERVES (continued)

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

During the year under review it has been found that the government grant reserve is no longer appropriate and does not lead to fair presentation and as a result of this change in accounting policy has been transferred to the accumulated surplus.

5.4 Donations and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful lives of the items of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

During the year under review it has been found that the donations and public contributions reserve is no longer appropriate and does not lead to fair presentation and as a result of this change in accounting policy has been transferred to the accumulated surplus.

5.5 Revaluation Reserve

Unrealised surpluses arising from the revaluations of land and buildings are credited to a Non-Distributable Reserve. Revaluation surpluses are realised as revalued buildings are depreciated, by means of transfers from the revaluation reserve to the accumulated surplus / (deficit).

When revalued land and buildings are disposed of, the net revaluation surpluses in the Revaluation Reserve relating to such items are transferred to the accumulated surplus / (deficit), while gains and losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

During the year under review it has been found that the revaluation reserve is no longer appropriate and does not lead to fair presentation and has thus been transferred to the accumulated surplus.

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost or fair value less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

The cost of an item of property, plant and equipment comprises purchase price, import duties, non-refundable purchase taxes and directly attributable costs of bringing the asset to working condition for its intended use, such as site preparation, initial delivery, handling, installation and professional fees. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Items of property, plant and equipment which are acquired for no cost or for a nominal cost are recognised at their fair values.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

The cost or fair value of property, plant and equipment is depreciated using the straight line method over the period of the estimated useful lives of the assets. Depreciation on new acquisitions is charged to the Statement of Financial Performance in the financial year that economic benefits accrue to Council.

The annual depreciation rates are based on the following estimated asset lives:-

<u>DETAILS</u>	<u>YEARS</u>	<u>DETAILS</u>	<u>YEARS</u>
Infrastructure		Other	
Roads and paving	30	Buildings	30
Pedestrian malls	30	Specialist vehicles	10
Electricity	20 – 30	Other vehicles	5
Housing	30	Office equipment	3
		Furniture and fittings	7 – 10
Community		Watercraft	15
Buildings	30	Bins and containers	5
Recreational facilities	20 – 30	Specialised plant and equipment	10 – 15
Security	5	Other items of plant and equipment	2 – 5
		Landfill sites	15

The estimated useful lives and residual values of property, plant and equipment are periodically reviewed and adjusted where necessary.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

In terms of GAMAP 17 the Council has used the transitional provisions to recognise items of property, plant and equipment, which were not previously recognised, at their fair values.

KwaDukuza Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to property plant and equipment as follows:

- GAMAP 17 paragraphs 59-61 and 77 - the review of useful lives of property, plant and equipment recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 62 and 77 – the review of the depreciation method applied to property, plant and equipment recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 64-69 and 75(e)(v)-(vi) – Impairment of non-cash generating assets recognised in the Statement of Financial Position.
- GAMAP 17 paragraphs 63 and 75 (e)(v)-(vi) - – Impairment of cash generating assets recognised in the Statement of Financial Position.
- AC 128 (IAS 36) – Impairment of assets

7. INVESTMENT PROPERTIES

Investment properties, which are properties held to earn rental revenue or for capital appreciation, are stated at fair value less accumulated impairment losses.

8. INVESTMENTS

8.1 *Financial instruments*

Financial instruments, which include unlisted, reciprocal municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks are stated in the annual financial statements at the lower of cost or fair value. No impairments are required as the cost values equate to their cash values.

Where investments have been impaired, the carrying values are adjusted by the impairment losses, which are recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net proceeds on disposal and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2 *Zero coupon investments*

Zero coupon investments are stated in the annual financial statements at original cost plus accrued earnings thereon. At the date of the financial year end of the Municipality, certificates of balance are obtained from the respective financial institutions. The difference between the balances at the date of the balance sheet and the previous financial year end represent the earnings for the accounting period and are credited to the Statement of Financial Performance. No impairments are required as the investments have guarantees in loan agreements with loan creditors that they will liquidate the long term loans that they are ceded against when the loans and investments mature.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

9. INVENTORIES

Inventories comprising consumable stores, raw materials, and finished goods are valued at the lower of average cost, determined on the first in first out method, and net realisable value.

Unsold properties are stated in the annual financial statements at the lower of cost, determined on the average cost method, and net realisable value. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

10. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end excluding rates, rates penalties and rates collection charges.

For the year ended 30 June 2006 provision for doubtful accounts was made, based on a review of all outstanding amounts at the financial year end. Contributions to the provision were calculated on a specific debt basis plus 10 per cent of all debts older than 120 days but excluding rates, rates penalties and rates collection charges.

Bad debts are written off during the year in which they are identified.

Amounts that are receivable within 12 months from the reporting date are classified as current.

11. ACCOUNTS PAYABLE

Accounts payable are stated in the annual financial statements at the amounts due to trade and other creditors for goods or services received. The liabilities are generally settled within a period of 30 Days, accordingly impairments, if any, are considered to be immaterial.

12. REVENUE RECOGNITION

12.1 Revenue from Exchange Transactions

Service charges relating to electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods when meter readings have not been able to be made. The revenue from provisional estimates of consumption is recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognised in the year in which cash is received.

Service charges relating to refuse removal are raised and recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements, the category of property usage and the number of refuse containers on each property regardless of whether or not containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered and the fee has been charged or licences and permits have been issued.

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified and once the terms of the agency agreement have been complied with.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the conditions, a liability is recognised

12.2 Revenue from non-exchange transactions

Revenue from assessment rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received.

Donations are recognised when cash is received or when property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12.3 Exemption

KwaDukuza Municipality has taken advantage of the exemption permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to GAMAP 9 paragraph 12 and SAICA Circular 09/06 – initial measurement of fair value discounting all future receipts using an imputed rate of interest.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. A liability is recognised to the extent that the criteria, conditions or obligations have not been met.

14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded at the current value of the utilisation of approved facilities from the Municipality's bankers. Finance charges on bank overdrafts are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearer's Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. Contributions are made to the Natal Joint Municipal Pension Fund to fund the obligations for the payment of retirement benefits in accordance with the rules of the three defined benefit funds it administers.

Contributions are recognised as an expense in the Statement of Financial Performance in the year that they become payable.

The funds are actuarially valued every three years using the discounted cash flow method. Any deficits identified by the actuary are recovered from participating municipalities in the form of surcharges added to the contributions which are recognised as an expense in the Statement of Financial Performance in the year that they become payable.

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

20. BORROWING COSTS

Borrowing costs are recognised in the Statement of Financial Performance in the year in which they become payable.

21. DEPOSITS

Deposits received from consumers are based on the estimated monthly consumption and are calculated to cover approximately two and one half to four months consumption, taking into consideration each consumer's profile. In the event of a disconnection of service for non payment, the value of the deposit is reviewed and adjusted in terms of the Council's credit control policy. No interest is paid on deposits held.

22. OPERATING LEASES

Payments made under operating lease agreements are expensed and charged to the Statement of Financial Performance on a straight line basis over the period of the lease. These agreements do not transfer risk and rewards associated with ownership of an asset to the Municipality.

Assets leased out under operating leases are included in property, plant and equipment and investment property in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment and investment properties. Rental revenue is recognised on a straight line basis over the lease term.

23. INTANGIBLE ASSETS

23.1 *Servitudes*

Intangible assets comprise of rights which are registered as servitudes in the Registrar of Deeds office against fixed property owned by third parties. The rights are valued at original cost and are not depreciated as they have an indefinite useful life.

23.2 *Computer software and websites*

Cost associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique products controlled by the Municipality, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Expenditure that enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, not exceeding a period of seven (7) years.

24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include investments, consumer and other receivables, cash and cash equivalents, trade and other payables, interest bearing borrowings, long term debtors. Financial instruments are initially measured at cost. The subsequent measurement of financial instruments is dealt with below:

KWADUKUZA MUNICIPALITY

ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2007

24.1 Investments

Investments are recognised as set out in policy 9 above.

24.2 Consumer and other receivables

Consumer and other receivables are recognised as set out in note 11 above. An impairment or bad debt loss is recognised when it is probable that the Municipality will not be able to collect all amounts due (principal and interest) according to the contractual terms of the accounts receivable. The assessment of objective indicators of impairment for accounts receivable is carried out at each balance sheet date.

24.3 Cash and cash equivalents

Cash and cash equivalents are recognised as set out in policy 16 above.

24.4 Financial liabilities

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discounts or premiums on settlement. Gains and losses are recognised in net income or loss when liabilities are impaired as well as through the amortisation process.

24.5 Exemptions

KwaDukuza Municipality has taken advantage of the exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 with respect to financial instruments as follows:

- AC 133 (IAS 39) – initially measuring financial assets and financial liabilities at fair value.
- AC 144 (IFRS 7) – entire standard.

25. EXEMPTIONS

KwaDukuza Municipality has taken advantage of the following exemptions permitted by the Minister of Finance, in terms of General Notice 552 of 2007, and confirmed by National Treasury on 15 August 2007 as follows:

- AC 142 (IFRS 5) paragraphs 6-14, 15-29 and 38-42 – classification, measurement and disclosure of non-current assets held for sale and discontinued operations
- AC 115 (IAS 14) – Segment reporting
- AC 145 (IFRS 8) – Operating segments
- AC 109 (IAS 11) – Construction contracts
- AC 140 (IFRS 3) – Business combinations
- AC 128 (IAS 36) – Impairment of assets

The municipality has developed a plan to implement the above exemptions within the window period established by General Notice 552 of 2007 for submission to National Treasury on due date (31 October 2007). Progress will be evaluated in March 2008 when a revised plan is required to be submitted in terms of the General Notice.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
1. HOUSING OPERATING ACCOUNT		
Housing Operating Account	96 182 078	105 567 327
Government Grant Reserve (principally arising from loans extinguished in 1998)	-	-
Accumulated (deficit) / surplus	96 182 078	105 567 327
The Housing Development Fund is represented by the following assets and liabilities:		
Fixed Assets	56 680 280	59 086 296
Housing Inventory	10 712 918	10 888 500
Debtors	14 908 701	14 152 184
Cash and cash equivalents	13,880,179	21 440 347
Total Housing Operating Account Assets and Liabilities	96 182 078	105 567 327
2. LONG-TERM LIABILITIES		
Local Registered Stock Loans	36 946 000	37 106 000
Non Annuity Loans	55 314 700	10 055 984
Annuity Loans	8 165 281	34 880 380
Sub-total	100 425 981	82 042 364
Less: Current portion transferred to current liabilities	2 916 012	2 808 070
Annuity Loans	524 745	1 608 070
Non Annuity Loans	2 391 267	1 200 000
Total External Loans	97 509 969	79 234 294
Refer to Appendix A for more detail on long-term liabilities.		
Local registered stock		
Bear interest at rates between 9% and 17% per annum and are repayable over periods between two and nine years		
Annuity loans		
Bear interest at rates between 12% and 18% per annum, are being redeemed in monthly instalments, including interest, over varying periods until 2017		
Bank loans		
Bear interest at Prime Less 1%		
Security - investments		
Certain long term liabilities are secured by zero coupon investments which are guaranteed to earn sufficient investment revenue over the period of the loans which will redeem them at maturity.		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
3. NON-CURRENT PROVISIONS		
Provision for the eradication of alien vegetation	3 500 000	-
Less: Current portion transferred to current liabilities	1 166 667	-
	<u>2 333 333</u>	<u>-</u>
The movement in current provisions are reconciled as follows:		
<u>Eradication of alien vegetation</u>		
Balance at beginning of year	-	-
Contributions to provision	3 500 000	-
Payments made	-	-
Balance at end of year	<u>3 500 000</u>	<u>-</u>
The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to encourage private property owners to do the same. The provision is calculated in line with the medium term revenue and expenditure framework of the Council.		
4. RETIREMENT BENEFITS		
The Municipality's personnel are members of one of the three Natal Joint Municipal Pension Funds i.e. (Superannuation, Provident and Retirement). The valuator carries out a statutory valuation on a triennial basis and an interim valuation on an annual basis (the 2006 interim has been completed). No valuation was performed in 2007.		
<u>Superannuation</u>		
An interim actuarial valuation of the Fund was carried out for the period ending 31 March 2006. The actuarial value of total assets was more (less) than the actuarial value of liabilities for the service of members to that date and for pensioners by:		
made up as follows:	121 700 000	121 700 000
For service to 31 March 2006		
for pensioners - surplus funding level 119.4%	210 000 000	210 000 000
for members - deficit funding level 95.0%	(88 300 000)	(88 300 000)
attributable to salary increases being higher than expected of	49 000 000	49 000 000
The fund did not hold an Investment Reserve at 31 March 2006.		
For service after 31 March 2006		
The total contribution rate payable (excluding the surcharge) exceeded that required for future service by 1.4% (2005 : 1.0%) of pensionable emoluments, or per year	49 000 000	49 000 000
Conclusion		
The funding level of the Fund improved over the valuation period. The actuary is satisfied that the self-reinsurance arrangement is appropriate for the Fund; the asset composition of the Fund is appropriate to the nature of the liabilities; the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits;		
If his recommendation of an additional surcharge of Total 6% of members' pensionable emoluments is retained (accepted) by the General Committee at the forthcoming Annual General Meeting, the deficit will be eliminated within 2 years.	3%	3%

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
4. RETIREMENT BENEFITS (Continued)		
A recent study undertaken of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
However, once the deficit in the Fund has been met the excess contributions will meet the increased cost resulting from A I D S for the foreseeable future. It is therefore not necessary at this stage to adjust either the benefits or the contributions.		
<u>Provident Fund</u>		
The salient features of the Statutory (Interim) Valuation Report on the fund as at 31 March 2006 were that the net market value of the Fund's assets were sufficient to fully cover the members' share account and to provide total reserves of;	46 638 000	46 638 000
The total interim rate of bonus credited over the year to members was compound	46%	46%
A further bonus to all members at 30 September 2006 has been approved by the Committee of Management of	3%	3%
Subsequent to the year end, a final bonus to all members at 30 September 2006 has been approved by the Committee of Management of	5%	5%
The actual cost of death benefits and expenses was less than the 3.75% of pensionable emoluments available to meet the same and it is recommended that death benefits be further reduced with effect from 01 July 2005 based on the pre-July 2004 level to	0%	0%
The Actuary is satisfied that the asset composition of the Fund is appropriate to the nature of the liabilities and the Fund was in a sound financial condition at 31 March 2006.		
<u>Retirement Fund</u>		
The salient features of the Statutory (Interim) valuation of the fund at 31 March 2006 are:		
The actuarial value of total assets of the fund was less than the actuarial value of the liabilities for the service of members to that date and for pensioners by	(140 900 000)	(140 900 000)
made up as follows:		
For service to 31 March 2006		
for pensioners - funding level 116.2%	63 400 000	63 400 000
for members - funding level 73.0%	(204 300 000)	(204 300 000)
The fund was thus funded	88%	88%
The fund did not hold an Investment Reserve.		
For service after 31 March 2006		
The total contribution rate payable, including the total surcharge of 14% payable by and on behalf of pre 01 July 2002 members and by employers, exceeded that required for future service of members' pensionable emoluments of	11%	11%

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
4. RETIREMENT BENEFITS (Continued)		
Conclusion		
The funding level is	88%	88%
The actuary is satisfied that the self-insurance arrangement is appropriate for the Fund, the asset composition of the Fund is appropriate to the nature of the liabilities, the contributions being paid to the Fund are sufficient to meet the expected cost of future benefits		
A study undertaken in 2002 of the expected impact that A I D S will have on the Fund shows that although the Fund is fairly well protected in relation to other funds, A I D S is likely to result in an increase in the required rate of contribution of members' pensionable emoluments by 2010 of some	4%	4%
The matter will be addressed again at a future date.		
Statement of Financial Position obligation for:		
Post-employment medical benefits	24,069,482	21,761,933
Long Service Award	5,084,819	4,514,682
	29 154 301	26 276 615
Statement of Financial Performance obligation for:		
Post-employment medical benefits	2 307 549	
Long Service Award	570 137	
	2 877 686	
4.1 Post-employment medical benefits		
The municipality operates on 3 accredited medical aid schemes, namely Bonitas, NMMAF and Sanitas. Pensioners continue on the option they belonged to on the day of their retirement.		
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8%	
Health care cost inflation rate	6.5%	
Net effective discount rate	1.41%	
Benchmark inflation (equal to salary inflation)	6.0%	
Average retirement age	63	
Proportion continuing membership at retirement	90%	
Proportion of retiring members who are married	90%	
Mortality during employment	SA 85-90 ultimate	
Mortality post-retirement	PA90-1 ultimate	
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		
Percentage of in-service members withdrawing before retirement:		
Age 20	50%	
Age 30	26%	
Age 40	16%	
Age 50	6%	
Age 55+	1%	
The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:	24 069 482	21 761 933
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	21 761 933	
Current service cost	763 225	
Interest cost	1 740 955	
Benefit payments	(665 410)	
Actuarial gains/(losses)	468 779	
Balance at end of year	24 069 482	

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
4. RETIREMENT BENEFITS (Continued)		
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	763 225	
Interest cost	1 740 955	
Benefit payments	(665 410)	
Actuarial gains/(losses)	468 779	
Total, included in employee benefits expense (Note 24)	2 307 549	
4.2 Long service awards		
The amounts recognised in the Statement of Financial Position were determined as follows:		
Present value of funded obligations	5 084 819	4 514 682
Fair value of plan assets	-	-
Liability in the Statement of Financial Position	5 084 819	4 514 682
Movement in the defined benefit obligation is as follows:		
Balance at beginning of the year	4 514 682	
Current service cost	371 286	
Interest cost	361 175	
Actuarial losses	319 395	
Benefit payments	(481 719)	
Balance at end of year	5 084 819	
The amounts recognised in the Statement of Financial Performance were as follows:		
Current service cost	371 286	
Interest cost	361 175	
Actuarial losses	319 395	
Benefit payments	(481 719)	
Total, included in employee benefits expense (Note 23)	570 137	
The principal actuarial assumptions used were as follows:		
Discount rate per annum	8%	
General Salary Inflation (long term)	6%	
Retirement Gift Inflation (long term)	5%	
Net effective discount rate	2%	
Examples of mortality rates used were as follows:		
Average retirement age	63 years	
Mortality during employment	SA85-90 Ultimate	
Members withdrawn from service:		
Age 20	50%	
Age 30	26%	
Age 40	16%	
Age 50	6%	
Age 55	1%	

There are no comparative figures as the valuation was conducted for the first time for the year ended 30 June 2007.

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
5. DEPOSITS		
Electricity	11 201 649	9 765 587
Guarantees held in lieu of electricity deposits	2 155 599	1 972 349
6. PROVISIONS		
Eradication of alien vegetation - current portion	1 166 667	-
7. CREDITORS		
Trade creditors	33 759 477	14 659 217
Payments received in advance	11 352 423	15 997 414
Deposits - other	2 036 455	1 758 535
Staff leave	4 430 664	3 924 039
Other creditors	16 242 780	22 719 369
Total Creditors	67 821 799	59 058 574
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government	11 416 123	6 072 786
Municipal Infrastructure Grant	3 845 966	5 234 526
Financial Management Grant	375 578	94 273
Department of Trade and Industry	2 659 504	-
Umsobomvu	108 865	-
Integrated Development Plan	3 915	50 000
Performance Management Systems	50 000	50 000
Interdepartmental Monitoring Systems	40 000	40 000
Geographical Information Systems	16 059	114 287
Land Use Management Systems	392 000	280 000
Department of Minerals and Energy	1 962	38 671
Municipal Systems Improvement Grant	5 790	31 427
New Library	1 707 715	-
Admin Capacity	100 000	-
Department of Local Government and Traditional Affairs	250 000	-
Local Economic Development	123 251	123 251
Community Development Workers	16 351	16 351
Gijima	-	-
Other Grants and Subsidies	1 719 167	-
Total Conditional Grants and Receipts	11 416 123	6 072 786
See Note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
9. VALUE ADDED TAXATION	1 175 059	-
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS		
There are no comparative figures as the information was not available.		

10. PROPERTY, PLANT & EQUIPMENT

30 June 2007

Reconciliation of Carrying Value	Properties	Infrastructure other	Vehicles	Civil Roads	Civil Stormwater	Electrical	Toolbox	Housing	RDP funds	Under Construction	Total
	R	R	R	R	R					R	R
Carrying Values at 1 July 2006	43 282 380	66 384 257	5 133 966	47 997 620	59 121 192	181 623 226	5 316 738	59 086 296	37 440 473	-	505 386 148
Cost	47 669 400	88 649 865	11 757 542	127 351 354	69 780 980	268 102 624	8 952 031	105 528 250	58 366 487	-	786 158 533
Accumulated Depreciation	(4 387 020)	(22 265 608)	(6 623 576)	(79 353 734)	(10 659 788)	(86 479 398)	(3 635 293)	(46 441 954)	(20 926 014)	-	(280 772 385)
Acquisitions	-	4 672 084	12 821 410	3 770 600	220 418	21 207 267	3 364 142	-	-	-	46 055 921
Capital Under Construction										10 227 485	10 227 485
Transfer		(1 219 065)					(2 281 569)				(3 500 634)
Intangible Assets Note 11											
Transfer		253 366					519 344				772 710
Accumulated Depreciation											
Depreciation	(389 400)	(2 741 229)	(947 443)	(4 309 093)	(2 325 578)	(9 143 219)	(900 418)	(2 406 016)	(1 965 240)	-	(25 127 636)
Carrying Value of Disposals	(445 634)	(574 712)	-	-	-	-	-	-	-	-	(1 020 346)
Cost	(545 000)	(807 918)	(122 073)							-	(1 474 991)
Accumulated Depreciation	99 366	233 206	122 073	-	-					-	454 645
Carrying Values at 30 June 2007	42 447 346	66 774 701	17 007 933	47 459 127	57 016 032	193 687 274	6 018 237	56 680 280	35 475 233	10 227 485	532 793 648
Cost	47 124 400	91 294 966	24 456 879	131 121 954	70 001 398	289 309 891	10 034 604	105 528 250	58 366 487	10 227 485	837 466 314
Accumulated Depreciation	(4 677 054)	(24 520 265)	(7 448 946)	(83 662 827)	(12 985 366)	(95 622 617)	(4 016 367)	(48 847 970)	(22 891 254)	-	(304 672 666)

Kwadukuza has taken advantage of the transitional provisions of Generally Accepted Municipal Accounting Practice 17, paragraph 86.

10. PROPERTY, PLANT & EQUIPMENT (Continued)

30 June 2006

Reconciliation of Carrying Value	Properties	Infrastructure other	Vehicles	Civil Roads	Civil Stormwater	Electrical	Toolbox	Housing	RDP funds	Under Construction	Total
	R	R	R	R	R					R	R
Carrying Values at 1 July 2005	43 681 200	66 494 508	3 168 033	42 201 282	61 368 297	165 021 776	2 785 335	66 345 639	38 047 294	-	489 113 364
Cost	47 669 400	86 100 734	9 165 583	126 607 194	69 704 598	247 538 208	6 101 361	110 576 072	57 070 944	-	760 534 094
Accumulated Depreciation	(3 988 200)	(19 606 226)	(5 997 550)	(75 133 494)	(8 336 301)	(78 228 124)	(2 943 335)	(44 230 433)	(19 023 650)	-	(257 487 313)
Acquisitions	-	2 549 131	2 591 959	744 160	76 382	20 564 416	2 850 670	5 840 678	1 295 543	-	36 512 939
Depreciation	(398 820)	(2 659 382)	(626 026)	(4 220 240)	(2 323 487)	(8 251 274)	(691 958)	(2 211 521)	(1 902 364)	-	(23 285 072)
Carrying Value of Disposals								(10 888 500)		-	(10 888 500)
Cost Accumulated Depreciation								(10 888 500)		-	(10 888 500)
								-		-	-
Carrying Values at 30 June 2006	43 282 380	66 384 257	5 133 966	47 997 620	59 121 192	181 623 226	5 316 738	59 086 296	37 440 473	-	505 386 148
Cost	47 669 400	88 649 865	11 757 542	127 351 354	69 780 980	268 102 624	8 952 031	105 528 250	58 366 487	-	786 158 533
Accumulated Depreciation	(4 387 020)	(22 265 608)	(6 623 576)	(79 353 734)	(10 659 788)	(86 479 398)	(3 635 293)	(46 441 954)	(20 926 014)	-	(280 772 385)

Investment properties have been eliminated from the note and are separately disclosed in note 12.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
11. INTANGIBLE ASSETS		
Carrying Value Opening Balance	-	-
Cost	-	-
Accumulated Amortisation	-	-
Transfer from PPE (note 10)	2 727 924	-
Cost	3 500 634	-
Accumulated Amortisation	(772 710)	-
Amortisation	(309 220)	-
Carrying Value Closing Balance	2 418 704	-
Cost	3 500 634	-
Accumulated Amortisation	(1081 930)	-

Intangible assets disclosed relate to website costs and computer software costs.

The cost of intangible assets of R148 214 has, in prior years been recognised as an expense and therefore in accordance with paragraph 71 of International Accounting Standard (IAS) 38 cannot be recognised as part of the cost of an intangible asset at a later date.

12. INVESTMENT PROPERTIES

Carrying Value Opening Balance	8 668 800	8 668 800
Gain on valuation	61 352 200	-
Carrying Values Closing Balance	70 021 000	8 668 800
The fair value of these properties as valued by Councils valuer at 30 June amounts to	70 021 000	21 680 000
Rental income derived from these properties amount to	588 683	604 845

Fair values as at 30 June 2007 could not be obtained for all investment properties. The municipality is of the view that fair values did not changed materially since the last date of valuation on 31 December 2006.

No amounts were expensed towards repairs and maintenance costs for income generating and non income generating investment properties.

Details of investment properties are included in a register which is available for inspection at the municipal offices.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
13. INVESTMENTS		
<u>Unlisted</u>		
Zero coupon deposits	38 591 770	33 955 555
Local registered stock	940 000	500 000
Total Unlisted	39 531 770	34 455 555
<u>Financial Instruments</u>		
Fixed deposit under curatorship	260 857	260 857
Collateral Security fixed deposits	229 213	217 387
Local registered stock (previously short term)	-	440 000
Total Cash Investments	490 070	918 244
Total Investments	40 021 840	35 373 799
Council's valuation of unlisted investments	40 021 840	35 373 799
Average rate of return on investments	14%	10%
The investments in curatorship have been written down to its estimated impaired value as indicated by the curator		
The zero coupons have guaranteed maturity values and therefore no provision for impairments are required.		
Investments pledged as security for loans advanced amount to	38 591 770	33 955 555
Investments pledged as collateral security for loans advanced to staff amount to	229 213	217 387
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investments Bank Account		
<i>NBS Account - Stanger Branch</i>		
<i>Account Number 4627064205: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	44 771	-
Bank statement balance at the end of the year	44 771	44 771
Investments Bank Account		
<i>NBS Account - Stanger Branch</i>		
<i>Account Number 4627072052: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	50 335	-
Bank statement balance at the end of the year	53 766	50 335
Investments Bank Account		
<i>NBS Account - Stanger Branch</i>		
<i>Account Number 4627072654: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	87 829	-
Bank statement balance at the end of the year	93 820	87 829
Investments Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 71039219855: Short Term Investment Account</i>		
Bank statement balance at the beginning of the year	34 452	-
Bank statement balance at the end of the year	36 856	34 452
TOTAL INVESTMENTS:	229 213	217 387

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
14. LONG-TERM RECEIVABLES		
Electricity connection loans	212 886	403 333
Car Loans	137 483	135 542
Housing selling scheme loans	14 908 701	14 152 183
	<u>15 259 070</u>	<u>14 691 058</u>
Less provision for bad debts	<u>(12 439 287)</u>	<u>-</u>
	2 819 783	14 691 058
Less: Current portion transferred to current receivables	<u>(2 573 400)</u>	<u>(19 782 368)</u>
Electricity connection loans	35 917	79 874
Car Loans	137 483	-
Housing selling scheme loans	2 400 000	19 702 494
Total Receivables	<u>246 383</u>	<u>(5 091 310)</u>

The comparative net credit balance on long-term receivables arises as a consequence of the correction of an error in respect of housing debtors. Sufficient information is not available to adjust the current portion thereof .

CAR LOANS

These loans were granted to members of staff who are no longer in the service of the Council and have been handed over for collection.

ELECTRICAL CONNECTION LOANS

To encourage property owners to connect to the reticulation system, low interest rate loans were made to provide the necessary financial assistance. These loans attracted interest linked to prime up to a maximum of three years. These types of loans are no longer provided.

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing' s programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

15. INVENTORIES

Consumable stores	54 397	87 018
Mechanical spares	18 792	33 202
Electrical maintenance spares	2 069 823	1 782 617
Fuel	91 820	98 200
Housing inventory	10 712 918	10 888 500
Less impairments	<u>(57 245)</u>	<u>-</u>
Less stock adjustment	<u>(20 316)</u>	<u>-</u>
Total Inventories	<u>12 870 189</u>	<u>12 889 537</u>

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
16. CONSUMER DEBTORS		
Rates	42 303 336	40 002 252
Electricity	18 024 341	18 024 598
Estate	70 967	205
Refuse	9 177 034	9 086 055
Consumer deposits	-	326 807
Sundries	-	1 821 641
Value added taxation	3 279 957	4 687 144
Legal Fees	665 283	744 354
Credit balances in consumers transferred to accounts payable	-	4 417 255
Housing rentals	-	75 950
Total service debtors	73 520 917	79 186 261
Add other debtors (note 17)	-	61 910 881
Less provision for bad debts	(18 377 638)	(58 976 972)
Total	55 143 279	82 120 170

Prior year amounts have been reallocated to more fully comply with Generally Accepted Municipal Accounting Practice. The total provision for bad debts has been shown under consumer debtors for the prior year. In the current year it has been allocated against the various categories of debtors.

Rates: Ageing

Current (0 – 30 days)	1 162 058	856 005
31 - 60 Days	2 577 700	1 699 278
61 - 90 Days	1 837 607	821 884
91 - 120 Days	2 172 391	1 109 365
121 - 365 Days	34 553 581	35 515 720
Total	42 303 336	40 002 252

Electricity: Ageing

Current (0 – 30 days)	11 037 951	9 343 806
31 - 60 Days	1 056 254	2 201 380
61 - 90 Days	511 323	583 514
91 - 120 Days	404 110	250 106
121 - 365 Days	5 014 703	5 645 792
Total	18 024 341	18 024 598

Refuse: Ageing

Current (0 – 30 days)	675 958	1 062 788
31 - 60 Days	349 498	506 695
61 - 90 Days	238 948	695 469
91 - 120 Days	189 519	242 532
121 - 365 Days	7 723 110	6 578 571
Total	9 177 034	9 086 055

Value Added Taxation: Ageing

Current (0 – 30 days)	522 726	1 462 518
31 - 60 Days	193 283	501 563
61 - 90 Days	111 068	208 600
91 - 120 Days	82 894	77 374
121 - 365 Days	2 369 985	2 437 089
Total	3 279 957	4 687 144

**KWADUKUZA MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2007**

**2007
R**

**2006
R**

KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
16. CONSUMER DEBTORS (Continued)		
<u>Estate: Ageing</u>		
Current (0 – 30 days)	2 008	-
31 - 60 Days	1 451	-
61 - 90 Days	1 451	-
91 - 120 Days	1 427	-
121 - 365 Days	64 628	205
Total	70 967	205
<u>Legal Fees: Ageing</u>		
Current (0 – 30 days)	16 933	35 157
31 - 60 Days	1 238	11 815
61 - 90 Days	5 094	6 087
91 - 120 Days	12 925	29 987
121 - 365 Days	629 093	661 308
Total	665 283	744 354
<u>Sundries: Ageing</u>		
Current (0 – 30 days)	-	(1 531 312)
31 - 60 Days	-	216 596
61 - 90 Days	-	13 273
91 - 120 Days	-	76 057
121 - 365 Days	-	3 047 027
Total	-	1 821 641
<u>Consumer deposits: Ageing</u>		
Current (0 – 30 days)	-	60 900
31 - 60 Days	-	36 070
61 - 90 Days	-	201 500
91 - 120 Days	-	5 661
121 - 365 Days	-	22 676
Total	-	326 807
<u>Housing: Ageing</u>		
Current (0 – 30 days)	-	4 462
31 - 60 Days	-	3 282
61 - 90 Days	-	2 349
91 - 120 Days	-	1 830
121 - 365 Days	-	64 027
Total	-	75 950
<u>Reconciliation of the Bad Debt Provision</u>		
Balance at beginning of the year	58 976 972	25 736 465
(Release from) / Contribution to provision	(8 971 713)	36 044 519
Bad debts written off against provision	(1 286 505)	(2 804 012)
Balance at end of year	48 718 754	58 976 972

Prior year amounts have been reallocated to more fully comply with
Generally Accepted Municipal Accounting Practice

KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
17. OTHER DEBTORS		
Other debtors	40 045 178	41 729 658
Provincial Health Subsidy (see note 22)	841 676	857 011
Coastal Care Grant (see note 22)	59 138	-
Ilembe debtors	5 744 869	19 324 212
	46 690 861	61 910 881
less provision for bad debts	(17 901 829)	-
Total Other Debtors	28 789 032	61 910 881

Prior year amounts have been reallocated to more fully comply with Generally Accepted Municipal Accounting Practice. The prior year analysis is presented for information purposes only.

18. CALL INVESTMENT DEPOSITS

30 Day Deposits	72 108 229	20 497 594
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Prior year amounts have been reallocated to more fully comply with Generally Accepted Municipal Accounting Practice

ACCOUNT DESCRIPTION - Investments (MFMA requirement)

Investments Bank Account

First National Bank Account - Stanger Branch
Account Number 62099517743: Money Market Account

Bank statement balance at the beginning of the year	10 221 532	-
Bank statement balance at the end of the year	55 765 331	10 221 532

Investments Bank Account

First National Bank Account - Stanger Branch
Account Number 74099518647: Call Account

Bank statement balance at the beginning of the year	10 276 063	-
Bank statement balance at the end of the year	11 167 760	10 276 063

Investments Bank Account

First National Bank Account - Stanger Branch
Account Number 71428762280: Call Account

Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	5 175 138	-

TOTAL CALL ACCOUNT INVESTMENT:

72 108 229	20 497 594
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19. BANK, CASH AND OVERDRAFT BALANCES

The Municipality has the following main bank accounts:

ACCOUNT DESCRIPTION

Primary Bank Account

First National Bank Account - Stanger Branch
Account Number 53730256310: Cheque Account
First National Bank Account - Ballito Branch
Account Number 53730076916: Cheque Account

Cash book balance at the beginning of the year	2 292 179	59 908 041
Cash book balance at the end of the year	2 818 092	2 292 179

Bank statement balance at the beginning of the year	8 656 375	4 007 319
Bank statement balance at the end of the year	5 524 034	8 656 375

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	2007 R	2006 R
19. BANK, CASH AND OVERDRAFT BALANCES (Continued)		
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62020550077: Cheque Account</i>		
Cash book balance at the beginning of the year	300 152	2 825 844
Cash book balance at the end of the year	<u>269 223</u>	<u>300 152</u>
Bank statement balance at the beginning of the year	365 234	2 956 748
Bank statement balance at the end of the year	<u>269 223</u>	<u>365 234</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62015681225: Cheque Account</i>		
Cash book balance at the beginning of the year	17 184 528	7 402 021
Cash book balance at the end of the year	<u>7 469 472</u>	<u>17 184 528</u>
Bank statement balance at the beginning of the year	17 908 376	9 221 878
Bank statement balance at the end of the year	<u>7 469 472</u>	<u>17 908 376</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62031878624: Cheque Account</i>		
Cash book balance at the beginning of the year	1 148 302	1 046 247
Cash book balance at the end of the year	<u>1 247 160</u>	<u>1 148 302</u>
Bank statement balance at the beginning of the year	1 148 302	1 095 218
Bank statement balance at the end of the year	<u>1 247 160</u>	<u>1 148 302</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62031876800: Cheque Account</i>		
Cash book balance at the beginning of the year	576 338	879 399
Cash book balance at the end of the year	<u>319 128</u>	<u>576 338</u>
Bank statement balance at the beginning of the year	576 338	1 643 616
Bank statement balance at the end of the year	<u>319 128</u>	<u>576 338</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290454: Cheque Account</i>		
Cash book balance at the beginning of the year	351 026	(258 657)
Cash book balance at the end of the year	<u>1 359 473</u>	<u>351 026</u>
Bank statement balance at the beginning of the year	458 032	689 956
Bank statement balance at the end of the year	<u>1 449 419</u>	<u>458 032</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290561: Cheque Account</i>		
Cash book balance at the beginning of the year	1 880 001	-
Cash book balance at the end of the year	<u>1 793 037</u>	<u>1 880 001</u>
Bank statement balance at the beginning of the year	1 880 001	27 552
Bank statement balance at the end of the year	<u>1 793 237</u>	<u>1 880 001</u>

KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
19. BANK, CASH AND OVERDRAFT BALANCES (Continued)		
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382132: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>295 180</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>295 180</u>	<u>-</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382322: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>319 957</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>319 957</u>	<u>-</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382570: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>349 775</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>349 775</u>	<u>-</u>
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62128382786: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>457 774</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>457 774</u>	<u>-</u>
Electricity Main Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080947941: Cheque Account</i>		
Cash book balance at the beginning of the year	12 947 513	97
Cash book balance at the end of the year	<u>257 690</u>	<u>12 947 513</u>
Bank statement balance at the beginning of the year	12 947 513	97
Bank statement balance at the end of the year	<u>257 690</u>	<u>12 947 513</u>
Electricity Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080949301: Cheque Account</i>		
Cash book balance at the beginning of the year	514 396	97
Cash book balance at the end of the year	<u>513 616</u>	<u>514 396</u>
Bank statement balance at the beginning of the year	514 396	97
Bank statement balance at the end of the year	<u>513 616</u>	<u>514 396</u>

KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
19. BANK, CASH AND OVERDRAFT BALANCES (Continued)		
Gijima Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62115726525: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	<u>2</u>	<u>-</u>
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	<u>2</u>	<u>-</u>
Grants Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62049936323: Cheque Account</i>		
Cash book balance at the beginning of the year	(694 535)	18 888 820
Cash book balance at the end of the year	<u>4 158 678</u>	<u>(694 535)</u>
Bank statement balance at the beginning of the year	75 562	20 250 505
Bank statement balance at the end of the year	<u>4 928 775</u>	<u>75 562</u>
Fines Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62079758268: Cheque Account</i>		
Cash book balance at the beginning of the year	42 822	2 129
Cash book balance at the end of the year	<u>110 891</u>	<u>42 822</u>
Bank statement balance at the beginning of the year	42 822	2 129
Bank statement balance at the end of the year	<u>110 891</u>	<u>42 822</u>
Petty cash and cash on hand	12 325	11 725
TOTAL BANK BALANCES AND CASH:	<u><u>21 751 472</u></u>	<u><u>36 554 448</u></u>
20. PROPERTY RATES		
<u>Actual</u>		
Residential	65 713 521	62 395 853
Commercial	14 988 786	14 854 495
Education and State	1 902 776	1 795 121
Municipal	1 159 181	1 096 397
Agriculture	474 225	479 373
Private open space	396 732	374 286
Total Assessment Rates	<u><u>84 635 221</u></u>	<u><u>80 995 525</u></u>
<u>Property Valuations</u>		
Residential	1251 596 000	1194 867 881
Commercial	230 456 405	198 294 686
Education and State	29 475 600	29 575 600
Municipal	13 909 584	14 784 750
Agriculture	42 616 700	35 661 930
Private open space	4 933 250	4 933 250
Total Property Valuations	<u><u>1 572 987 539</u></u>	<u><u>1 478 118 097</u></u>
Non rateable	<u><u>39 732 424</u></u>	<u><u>40 866 420</u></u>

KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
20. PROPERTY RATES (Continued)		
The last general valuation came into effect on:		
KwaDukuza	01/01/1996	01/01/1996
Dolphin Coast	01/07/1995	01/07/1995
Nkwazi/Zinkwazi	24/01/1999	24/01/1999
An application for an extension of time, dated 27 July 2000, was forwarded to the Director - Local Government, of the Department of Traditional and Local Government Affairs to postpone the next revaluation until the date of commencement of the Local Government Property Rates Act, 2004 (Act No. 6 of 2004)		
Assessment rates: Cents in the rand - General on land only	0,08042	0,07587
Rebates:		
Agriculture		
In terms of Schedule (ii)(a) of Proclamation 76/1996	100%	100%
In terms of Section 153 (5) © (dd) (ii) of Local Authorities Ordinance, 1974 (No. 25 of 1974)	50%	50%
Special Residential and Sectional Title on all improved land	30%	30%
Bed and Breakfast establishments with three and fewer bedrooms	20%	20%
State property owners	20%	-
Pensioners (qualifying on developed special rates) - an additional	25%	25%
Council owned Old Age Units - an additional	25%	25%
General commercial which is used for special residential purposes	10%	10%
Additional excluded services rebate applicable including:	15%	-
Shortens Country Style Hotel	15%	0%
Port Zimbali - excluded services rebate on all sold erven	15%	41%
Seaward Estates - excluded services rebate on all sold erven	15%	21%
Princes Grant	15%	70%
Industrial incentives including:		
Phasing in of rates from the first year of establishment	25%	
Industrialists are granted incentive rebates on a phased reducing basis over five years		
All undeveloped serviced industrial sites where the industrial developer has provided the full range of Municipal services	-	100%
Rates are levied as follows:		
On an annual basis, by application, and the final date of payment being:	30 Sept 2006	30 Nov 2005
On a monthly basis, and the final dates of payment being the last working day of the month from August 2006 to June 2007.		
Interest is levied on outstanding rates per annum at:	18%	18%
Plus collection charges two months after the final date of payment:	10%	10%
21. SERVICE CHARGES		
Sale of electricity	142 164 639	126 843 554
Refuse removal	19 544 995	13 533 265
Total Service Charges	161 709 634	140 376 819

KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
22. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable Share	22 270 659	-
Municipal Infrastructure Grant	9 564 408	5 234 526
Financial Management Grant	218 695	94 273
Department of Trade and Industry	-	-
Umsobomvu	191 135	-
Integrated Development Plan	46 085	50 000
Performance Management Systems	-	50 000
Interdepartmental Monitoring Systems	-	40 000
Geographical Information Systems	98 228	114 287
Land Use Management Systems	-	280 000
Department of Minerals and Energy	6 036 709	38 671
Municipal Systems Improvement Grant	175 637	31 427
New Library	2 886 422	-
Admin Capacity	-	-
Department of Local Government and Traditional Affairs	-	-
Local Economic Development	-	123 251
Community Development Workers	-	16 351
Gijima	80 010	-
Other Grants and Subsidies	-	-
Provincial Health Subsidies	3 032 369	-
Coastal Care Grant	309 298	-
Unknown adjustment	(54 435)	-
Total Government Grant and Subsidies	<u><u>44 855 220</u></u>	<u><u>6 072 786</u></u>

Prior year amounts have been reallocated to more fully comply with Generally Accepted Municipal Accounting Practice

22.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	22,270,659	-
Conditions met – transferred to revenue	(22,270,659)	-
Conditions still to be met	<u><u>-</u></u>	<u><u>-</u></u>

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. An amount of R341 was not received.

22.2 Municipal Infrastructure Grant

Balance unspent at beginning of year	5 234 526	-
Current year receipts	8 175 848	-
Conditions met - transferred to revenue	(9 564 408)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u><u>3 845 966</u></u>	<u><u>5 234 526</u></u>

This grant was used for road infrastructure as part of upgrading of informal settlements. No funds were withheld.

**KWADUKUZA MUNICIPALITY
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	2007 R	2006 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.3 Financial Management Grant		
Balance unspent at beginning of year	94 273	-
Current year receipts	500 000	-
Conditions met - transferred to revenue	(218 695)	-
Conditions still to be met-transferred to liabilities (see note 8)	375 578	94 273
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld.		
22.4 Department of Trade and Industry		
Balance unspent at beginning of year	-	-
Current year receipts	2 659 504	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	2 659 504	-
This grant is a refund for bulk infrastructure.		
22.5 Umsobomvu		
Balance unspent at beginning of year	-	-
Current year receipts	300 000	-
Conditions met - transferred to revenue	(191 135)	-
Conditions still to be met-transferred to liabilities (see note 8)	108 865	-
This was used for the establishment of Youth Advisory Centre. No funds were withheld.		
22.6 Integrated Development Plan Grant		
Balance unspent at beginning of year	50 000	-
Current year receipts	-	-
Conditions met - transferred to revenue	(46 085)	-
Conditions still to be met-transferred to liabilities (see note 8)	3 915	50 000
This Grant was used for the development of Intergrated development Plan. No funds were withheld.		
22.7 Performance Management Systems Grant		
Balance unspent at beginning of year	50 000	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	50 000	50 000
This grant is for the development of perfomance management contracts. No funds were withheld.		

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.8 Interdepartmental Monitoring Systems Grant		
Balance unspent at beginning of year	40 000	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>40 000</u>	<u>40 000</u>
The grant was to be used for administrative capacity building. No funds were withheld.		
22.9 Geographical Information Systems Grant		
Balance unspent at beginning of year	114 287	-
Current year receipts	-	-
Conditions met - transferred to revenue	(98 228)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>16 059</u>	<u>114 287</u>
Development of Geographical information Systems. No funds were withheld.		
22.10 Land Use Management Systems Grant		
Balance unspent at beginning of year	280 000	-
Current year receipts	112 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>392 000</u>	<u>280 000</u>
Spatial Development Framework and Land use management Systems. No funds were withheld.		
22.11 Department of Minerals and Energy Grant		
Balance unspent at beginning of year	38 671	-
Current year receipts	6 000 000	-
Conditions met - transferred to revenue	(6 036 709)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>1 962</u>	<u>38 671</u>
This grant is used for Electrification Projects as part of Upgrading of informal settlement areas. No funds were withheld.		
22.12 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	31 427	-
Current year receipts	150 000	-
Conditions met - transferred to revenue	(175 637)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>5 790</u>	<u>31 427</u>
This grant is used for Electrification Projects as part of Upgrading of informal settlement areas. No funds were withheld.		

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
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	2007 R	2006 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.13 New Library Grant		
Balance unspent at beginning of year	-	-
Current year receipts	4 594 137	-
Conditions met - transferred to revenue	(2 886 422)	-
Conditions still to be met-transferred to liabilities (see note 8)	1 707 715	-
This grant was in construction of New KwaDukuza Library. No funds were withheld.		
22.14 Admin Capacity		
Balance unspent at beginning of year	-	-
Current year receipts	100 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	100 000	-
This grant is for Capacity Building.		
22.15 Local Government and Traditional Affairs Grant		
Balance unspent at beginning of year	-	-
Current year receipts	250 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	250 000	-
This grant is for improvement in public participation. No funds were withheld.		
22.16 Local Economic Development Grant		
Balance unspent at beginning of year	123 251	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	123 251	123 251
This grant is used for local economic development. No funds were withheld.		
22.17 Community Development Workers Grant		
Balance unspent at beginning of year	16 351	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	16 351	16 351
This grant is used to pay for Community Development workers. No funds were withheld.		

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	2007 R	2006 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.18 Gijima Grant		
Balance unspent at beginning of year	-	-
Current year receipts	80 010	-
Conditions met - transferred to revenue	(80 010)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant was used for the development of LED Strategy. No funds were withheld.		
22.19 Other Grants and Subsidies		
Balance unspent at beginning of year	-	-
Current year receipts	1 719 167	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>1 719 167</u>	<u>-</u>
Details of grants conditions have not been received.		
22.20 Provincial Health Subsidies		
Current year receipts	2 190 693	1 264 556
Expenditure claimed in accordance with grant conditions	(3 032 369)	(2 121 567)
Conditions still to be met-transferred to other debtors (see note 17)	<u>(841 676)</u>	<u>(857 011)</u>
The Municipality renders health services on behalf of the Provincial Government and is refunded as follows:		
Surgical sundries		100%
Stores		100%
Equipment		100%
Subsistence and travel, transport and travelling		100%
Miscellaneous		100%
Personnel		100%
The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.		Based on sliding scale
22.21 Coastal Care Grant		
Balance unspent at beginning of year	-	-
Current year receipts	250 160	-
Conditions met - transferred to revenue	(309 298)	-
Conditions still to be met-transferred to liabilities (see note 17)	<u>(59 138)</u>	<u>-</u>
The grant is used to pay wages for people employed to clean the beaches.		
There comparative figures are not recorded the information was not available in the prior year.		

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	2007 R	2006 R
23 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	48 879 547	44 684 484
Contributions to UIF, Medical and Pension Benefits	-	12 509 889
Contributions to UIF, Medical, Pension Benefits, WC and Levies	15 612 772	-
Travel, motor car, accommodation, subsistence and other allowances	4 527 209	3 956 052
Housing benefits and allowances	724 322	868 940
Overtime payments	-	5 583 305
Overtime, Standby and Rations payments	7 006 968	-
Performance bonus	-	3 355 022
Long-service awards	-	1 581 085
Protective clothing	(1 190)	365 584
Leavy Pay and Leave Provisions	5 341 717	-
Workmens Compensation	-	659 109
Skills Development Levy	-	548 592
Training Levy	-	130
Rations	-	17 305
Total Employees costs per Statement of Financial Performance	82 091 345	74 129 497
Add Protective clothing costs	206 855	-
	82 298 200	74 129 497
Included in the employee related costs are the following:		
<i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	-	287 142
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	-	287 142
The position of Municipal Manager was vacant.		
<i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	-	566 988
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	-
Total	-	566 988
The position of Chief Finance Officer was vacant.		
Remuneration of Individual Deputy City Managers or Senior Managers or HOD's		
<u>EDP</u>		
Annual Remuneration	374 518	80 960
Car Allowance	96 398	-
Medical and pension funds	41 896	-
Total	512 812	80 960
<u>Technical services</u>		
Annual Remuneration	309 563	484 808
Car Allowance	116 750	-
Medical and pension funds	95 911	-
Total	522 224	484 808
<u>Corporate services</u>		
Annual Remuneration	400 850	584 812
Car Allowance	63 486	-
Medical and pension funds	87 327	-
Total	551 663	584 812

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
23 EMPLOYEE RELATED COSTS (Continued)		
<u>Community services</u>		
Annual Remuneration	368 587	485 445
Car Allowance	76 130	
Medical and pension funds	77 763	
Total	<u>522 481</u>	<u>485 445</u>
24. REMUNERATION OF COUNCILLORS		
Mayor	503 008	275 775
Deputy Mayor	218 908	140 478
Speaker	389 027	276 809
Mayoral Committee Members	837 053	661 149
Councillors	4 823 853	2 274 610
Councillors' pension contribution	395 179	445 734
Total Councillors' Remuneration	<u>7 167 028</u>	<u>4 074 555</u>
In-kind Benefits		
The Mayor and Speaker are full-time and have an office and secretarial support at the cost of the Council.		
The Mayor has the use of a Council leased vehicle for official duties and has two permanent bodyguards.		
25. FINANCE COSTS		
Long-term liabilities	<u>10 215 218</u>	<u>8 094 100</u>
26. BULK PURCHASES		
Electricity	<u>92 342 390</u>	<u>80 151 176</u>
27. GENERAL EXPENSES		
Included in general expenses is the following: -		
Indigent Support	2 646 902	
Processing Of Fines	2 788 706	
Valuations & Valuation Rolls	3 312 902	
Dump Charges	4 842 545	
Indigent Support	6 001 014	
Departmental Charges	8 482 669	
Other General Expenses	35 060 180	
	<u>63 134 917</u>	<u>49 129 795</u>
There is no comparative analysis as the information was not available in the prior year.		
28. OTHER INCOME		
Included in other income is the following: -		
Sale of Electricity Street Lights	1 335 423	
Electricity Availability	1 342 780	
Building Plan Fees	3 335 873	
Other Income	5 119 090	
	<u>11 133 166</u>	<u>8 560 042</u>
There is no comparative analysis as the information was not available in the prior year.		

	2007 R	2006 R
29. CHANGE IN ACCOUNTING POLICY		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality in order to more fully comply with Generally Accepted Municipal Accounting Practice:		
29.1 Revaluation reserve		
Balance previously reported		206 773 291
Change in accounting policy		
Transfer to Accumulated surplus		(206 773 291)
Restated balance at 30 June 2005		<u>-</u>
29.2 Capitalisation reserve		
Balance previously reported		32 195 048
Change in accounting policy		
Transfer to Accumulated surplus		(32 195 048)
Restated balance at 30 June 2005		<u>-</u>
29.3 Capital replacement reserve		
Balance previously reported		35 169 243
Change in accounting policy		
Transfer to Accumulated surplus		(35 169 243)
Restated balance at 30 June 2005		<u>-</u>
29.4 Government grants reserve		
Balance previously reported		227 121 335
Change in accounting policy		
Transfer to Accumulated surplus		(142 994 355)
Transfer to Housing operating account (Note 36.3)		(84 126 980)
Restated balance at 30 June 2005		<u>-</u>
29.5 Donations and public contributions reserve		
Balance previously reported		15 214 268
Change in accounting policy		
Transfer to Accumulated surplus		(15 214 268)
Restated balance at 30 June 2005		<u>-</u>
29.6 Accumulated surplus		
Balance previously reported		50 312 810
Change in accounting policy		
Revaluation reserve		206 773 291
Capital replacement reserve		32 195 048
Capitalisation reserve		35 169 243
Government grants reserve		142 994 355
Donations and public contributions reserve		15 214 268
		<u>482 659 015</u>
Correction of errors (Note 36)		14 577 181
Restated balance at 30 June 2005		<u>497 236 196</u>

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
30. CASH GENERATED BY OPERATIONS		
Surplus for the year	104 862 708	2 987 384
Adjustment for: -		
Amorisation: Intangible assets	309 220	-
Depreciation: Property, Plant and equipment	25 127 636	23 150 181
Previous years operating transactions	9 319 858	(49 429 319)
Gain on disposal of property, plant and equipment	(5 085 721)	-
Contribution to provisions - non-current	2 333 333	-
Contribution to provisions - current	1 166 667	-
Contribution to retirement benefit obligation	2 307 549	-
Contribution to long service award benefits	570 137	-
Release from bad debt provision	(8 971 713)	-
Expenditure charged against provision for leave/bad debts	(1 286 505)	(2 804 012)
Fair value adjustment : Investment properties	(61 352 200)	-
Income credited to reserves	-	3 801 632
Investment income	(8 571 732)	(5 773 113)
Finance costs	10 215 218	8 094 100
Operating surplus before working capital changes:	70 944 455	(19 973 147)
Decrease/(Increase) in inventories	19 348	(11 326 395)
Decrease/(Increase) in consumer debtors	24 042 982	(13 115 741)
Increase in other debtors	(25 855 123)	-
Increase in conditional grants and receipts	5 343 337	-
Increase in creditors	8 763 225	35 499 038
Decrease/(Increase) in short-term investments	-	(20 511 344)
Increase/(decrease) in consumer deposits	-	(5 973 234)
Decrease in short term portion of long term receivables	17 208 968	-
Increase in VAT receivable	(1 175 059)	-
Cash generated by operations	<u>99 292 133</u>	<u>(35 400 823)</u>

31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	21 751 472	36 554 448
Call investment deposits	72 108 229	-
Bank overdraft	-	-
Total cash and cash equivalents at the end of the year	<u>93 859 701</u>	<u>36 554 448</u>

Prior year amounts have been reallocated in order to more fully comply with Generally Accepted Municipal Accounting Practice

The municipality has undrawn borrowing facilities of R49 616 340 (2006: R29 250 660)

32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance	(40 478)	289 128
Council subscriptions	306 476	-
Amount paid - current year	(265 998)	(329 606)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u>(0)</u>	<u>(40 478)</u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>32.2 Audit fees</u>		
Opening balance	-	-
Current year audit fee	2 161 987	778 803
Amount paid - current year	(2 171 620)	(778 803)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u><u>(9 633)</u></u>	<u><u>-</u></u>
<u>32.3 VAT</u>		
Vat received for the year	<u><u>(14 530 539)</u></u>	<u><u>-</u></u>
VAT paid for the year	<u><u>682 434</u></u>	<u><u>-</u></u>
VAT inputs receivables and VAT outputs receivables are shown in note 9. All VAT returns have been submitted by the due date throughout the year.		
There are no comparative figures as the information was not available in the prior year.		
<u>32.4 PAYE and UIF</u>		
Opening balance	-	-
Current year payroll deductions	10 312 231	9 266 340
Amount paid - current year	(10 312 231)	(9 266 340)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
<u>32.5 Pension and Medical Aid Deductions</u>		
Opening balance	-	-
Current year payroll deductions and Council	21 652 115	18 448 947
Amount paid - current year	(21 652 115)	(18 448 947)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	<u><u>-</u></u>	<u><u>-</u></u>
<u>32.6 Councillor's arrear consumer accounts</u>		
The following Councillors had arrear accounts outstanding for more than 90 days as at:		
<u>Outstanding more than 90 days</u>		
Councillor: CM Naicker	1 794	
Councillor: JLT Sibiya	459	
Total Councillor Arrear Consumer Accounts	<u><u>2 253</u></u>	

Due to insufficient information no comparative figures are available.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R
33. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved and contracted for:	8 141 923	
Infrastructure	8 141 923	
Community	-	
- Approved but not yet contracted for:	114 730 298	
Infrastructure	53 609 947	
Community	61 120 351	
Total	122 872 221	
This expenditure will be financed as follows:		
Grant funded	59 612 569	
Council funded	29 612 309	
External Loans	33 647 343	
	122 872 221	
34. CONTINGENT LIABILITIES		
A claim made by Ezio Gori which is currently being defended by the municipality. Mr Gori is suing the municipality for breach of contract for terminating his contract as project manager for various housing projects.	1 400 000	
A claim made by J T Mthembu against the municipality which is currently being defended. The widow of late Municipal manager is suing the municipality for not providing security to the late Nathi Mthembu which led to his ultimate death	2 500 000	
Iliso Consulting is suing the municipality for breach of contract and for professional fees for the Groutville Priority one housing project. They claim that they were appointed by Prop 5 Consultants who were project managers for Council. Council did not mandate Prop 5 to appoint these consultants.	233 510	
Two staff disputes in progress	353 251	
	4 486 760	

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
35. CONTINGENT ASSETS		
Eagle Take Away failed to pay Kwadukuza Municipality an amount of R764 651.25 for proceeds from sale of prepaid electricity cards. An amount of R160 000 is realisable.	160 000	
Debtor sued for rates & service charges. As there is no basis to claim for legal fees and electricity charges, the amount claimed was reduced from R23 000 to R13 000	23 000	
Debtor sued for outstanding service charges	34 000	
Claim by Kwadukuza Municipality against five debtors	221 319	
Recovery of monies from staff from the previous Nkwazi TLC that were overpaid by the municipality due to an illegal decision taken by the said municipality to upgrade the salaries of the staff.	925 790	
Two cases of theft of money by cashier. Case opened with SAPS and attempts are beign made to recover the monies.	166 394	
	<u>1 530 502</u>	
36. CORRECTION OF ERROR		
The comparatives for 2005/06 have been restated in respect of the following errors:		
36.1 Unspent portions of certain grants and subsidies were incorrectly recognised as revenue in the prior year.		
Unspent Conditional Grants previously reported		821 490
Adjustment made		5 251 296
Restated Balance at 30 June 2006 - Note 8		<u><u>6 072 786</u></u>
36.2 Depreciation was incorrectly calculated in respect of various categories of property, plant and equipment.		
Accumulated depreciation previously reported		272 064 494
Overstatement of depreciation charges reversed		<u>(14 577 181)</u>
Restated balance at 30 June 2005		257 487 313
Depreciation		23 285 072
Depreciation for the year as previously reported		23 150 181
Overstatement of depreciation		<u>134 891</u>
Restated balance at 30 June 2006 - Note 10		<u><u>280 772 385</u></u>

	2007 R	2006 R
36. CORRECTION OF ERROR (Continued)		
36.3 The cost of subsidies and discounts borne by the ratepayer previously not transferred to the housing operating account		
The write-off of Induplune interest and discount benefit scheme benefits was not taken into account in the correct accounting period resulting in an overstatement in housing debtors and the housing operating account		
Housing operating account previously reported		554 319
Change in account policy (Note 29)		84 126 980
		(9 234 902)
Write-off of Induplune interest		(8 715 179)
Write-off of Discount Benefit Scheme Benefits		(519 723)
Restated balance at 30 June 2005		75 446 397
Capital grants used to purchase property, plant and equipment		2 504 941
Transfer to Housing Operating Account		5 832 980
Transfer from accumulated surpluses		26 976 840
		(5 193 831)
Write-off of Induplune interest		(3 617 082)
Write-off of Discount Benefit Scheme Benefits		(1 576 749)
Restated balance at 30 June 2006 - Note 1		105 567 327
Housing debtors previously reported		28 580 916
		(14 428 733)
Write-off of Induplune interest		(12 332 261)
Write-off of Discount Benefit Scheme Benefits		(2 096 472)
Restated balance at 30 June 2006 - Note 14		14 152 183

37. EVENTS AFTER THE REPORTING DATE

37.1 PRIMARY HEALTH CARE FUNCTION

The Primary Health Care function that is being performed on behalf of the Provincial Health Department is to be reabsorbed by the Provincial Health Department. The effective date of this transfer has been set at 01 January 2008. All staff, assets and liabilities associated with this function will also be transferred to the Provincial Health Department on that date.

The subsidy received from the Provincial Health Department for the rendering of this service on behalf of the Department does not fully cover the operational costs associated with this service, and this service is therefore reliant on subsidisation by the income raised from rate and tariff billing. Therefore, for the 2007/2008 financial year, this transfer of the Primary Health Care will result in an increase in the operating surplus of approximately R2.5m.

For future financial years, Council will not be required to contribute towards this service and it is anticipated that this will result in slightly lower than normal annual increases in rates and tariff charges.

**2007
R**

**2006
R**

37. EVENTS AFTER THE REPORTING DATE (Continued)

37.2 REGIONAL ELECTRICITY DISTRIBUTORS

In line with the National restructuring initiatives relating to the electricity industry, KwaDukuza Municipality has tacitly indicated willingness to participate in RED 5. It is envisaged that a Public Entity will be formed and all assets and liabilities relating to the provision of this service will be transferred to the said Public Entity. Due to the uncertainty surrounding this entire issue, the financial implications relating to this matter cannot, at this stage, be determined with any degree of accuracy.

38. COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure's E(1) and E(2).

39. RELATED PARTIES

39.1 COUNCILLOR: A G HORTON

Expenditure:

General Expenses for the year	167 886
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Nature of transaction: Mr Horton is employed by the Council Attorney's.

Balance outstanding at year end:	Nil
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39.2 COUNCILLOR: R SINGH

Expenditure:

General Expenses for the year	2 770 007
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Nature of transaction: The Council has entered into a contract for grass cutting with the Councillor.

Balance outstanding at year end:	Nil
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39.3 STAFF MEMBER: S KUBER

Expenditure:

General Expenses for the year	10 743
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Nature of transaction: The Council has entered into a contract for printing and stationery supply with the staff member.

Balance outstanding at year end:	Nil
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39.4 STAFF MEMBER: G GIBBON

Expenditure:

General Expenses for the year	26 400
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Nature of transaction: The Council has entered into a rental agreement with the staff member.

Balance outstanding at year end:	Nil
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39.5 STAFF MEMBER: J N HALL

Expenditure:

General Expenses for the year	30 000
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Nature of transaction: The Council has entered into a rental agreement with the staff member.

Balance outstanding at year end:	Nil
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**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	2007 R	2006 R
39. RELATED PARTIES (Continued)		
39.6 STAFF MEMBER: A ARCHARY		
<u>Expenditure:</u>		
General Expenses for the year	30 000	
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	
39.7 STAFF MEMBER: N G S BIYELA		
<u>Expenditure:</u>		
General Expenses for the year	41 400	
Nature of transaction: The Council has entered into a rental agreement with the staff member.		
Balance outstanding at year end:	Nil	
39.8 STAFF MEMBER: C BUNDY		
<u>Expenditure:</u>		
General Expenses for the year	510 519	
Nature of transaction: The Council has entered into a contract for the implementation of LED projects.		
Balance outstanding at year end:	Nil	
40. OPERATING LEASES		
The future minimum lease payments payable under operating leases for the actual liability are as follows:		
No later than 1 year	307 623	199 433
Later than 1 year and no later than 5 years	498 478	468 378
Later than 5 years	-	-
	806 101	667 811
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	1 181 499	-
Later than 1 year and no later than 5 years	4 725 994	-
Later than 5 years	15 214 081	-
	21 121 574	-
Operating lease payments payable relate to the hiring of office equipment, cleaning agents and water dispensers.		
Operating lease payments receivable relate to rentals for the car park, caravan park, advertising space and housing.		
There are no comparative figures as the information was not available in the prior year.		
41. CHANGE IN ACCOUNTING ESTIMATES		
The following change in estimate was made to amounts previously reported in the financial statements relating to the transfer of water assets to Ilembe District Municipality:		
	7 139 343	

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

2007
R

2006
R

42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities - facilities granted	150 042 321	
Used to finance property, plant and equipment - at cost	100 425 981	
Undrawn facilities	<u>49 616 340</u>	
DBSA R43 million loan	19 754 747	
Inca vehicle loan R42 million	<u>29 861 593</u>	
	<u>49 616 340</u>	
Cash invested for repayment of long-term liabilities	<u>38 591 770</u>	

There are no comparative figures as the information was not available in the prior year.

KWADUKUZA MUNICIPALITY
APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2007

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/06	Received during the year	Redeemed / (Interest Capitalised) during this period	Balance at 30/06/07
		%		R	R	R	R
Stock Loans							
FBC Fidelity	05/7492000448	14.30%	07/2010	19,000,000			19,000,000
ABSA	4056847537	17.00%	31/12/2015	15,000,000			15,000,000
INCA/First Norm	STAN 000001	16.90%	30/06/2011	2,006,000			2,006,000
uMlalazi Municipality	613	9.00%	31/07/2010	100,000		60,000	40,000
uMlalazi Municipality	614	10.00%	30/11/2010	500,000		100,000	400,000
uMlalazi Municipality	616	10.00%	30/04/2010	500,000			500,000
Total Stock Loans				37,106,000	0	160,000	36,946,000
Non Annuity Loans							
INCA	KWAD000001	16.00%	30/06/2011	19,000,000			19,000,000
INCA	none	11.63%	30/06/2012	0	12,138,407		12,138,407
Standard Bank	295606	Prime -1%	30/11/2007	1,700,000		1,200,000	500,000
DBSA	101276	Base rate+2.7%	30/09/2025	14,180,380	9,495,913		23,676,293
Total Non Annuity Loans				34,880,380	21,634,320	1,200,000	55,314,700
Annuity Loans							
DBSA	10580/204	12.00%	30/09/2017	488,230		21,422	466,808
DBSA	11165/102	15.75%	30/09/2017	6,291,787		218,718	6,073,069
DBSA	13527/103	16.50%	30/09/2014	643,356		38,842	604,514
DBSA	11577/102	18.00%	30/12/2014	10,199		774	9,425
DBSA	9879/102	12.00%	30/06/2016	887,314		45,739	841,575
SCMB	none	16.68%	07/2007	1,383,270		1,383,270	0
Umgeni Water	15424k	16.00%	02/2008	351,828		181,938	169,890
Total Annuity Loans				10,055,984	0	1,890,703	8,165,281
TOTAL EXTERNAL LOANS (KWADUKUZA MUNICIPALITY)				82,042,364	21,634,320	3,250,703	100,425,981

KWADUKUZA MUNICIPALITY
APPENDIX B : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007

	Opening Balance R	Additions R	Cost / Revaluation Under Construction R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Accumulated Disposals R	Depreciation Transfers R	Closing Balance R	Carrying Value R
Properties	47 669 400	-	-	(545 000)	-	47 124 400	4 387 020	389 400	(99 366)	-	4 677 054	42 447 346
Infrastructure	88 649 865	4 672 084	2 920 631	(807 918)	(1 219 065)	94 215 597	22 265 608	2 741 229	(233 206)	(253 366)	24 520 265	69 695 332
Vehicles	11 757 542	12 821 410	-	(122 073)		24 456 879	6 623 576	947 443	(122 073)	-	7 448 946	17 007 933
Civil Roads	127 351 354	3 770 600	7 306 854	-		138 428 808	79 353 734	4 309 093	-	-	83 662 827	54 765 981
Civil Storm water	69 780 980	220 418		-		70 001 398	10 659 788	2 325 578	-	-	12 985 366	57 016 032
Electrical	268 102 624	21 207 267	-	-		289 309 891	86 479 398	9 143 220	-	-	95 622 618	193 687 273
Toolbox	8 952 031	3 364 142	-	-	(2 281 569)	10 034 604	3 635 293	900 418	-	(519 344)	4 016 367	6 018 237
Housing	105 528 250	-	-	-	-	105 528 250	46 441 954	2 406 016	-	-	48 847 970	56 680 280
RDP Funds	58 366 487		-	-	-	58 366 487	20 926 014	1 965 240	-	-	22 891 254	35 475 233
	786 158 533	46 055 921	10 227 485	(1 474 991)	(3 500 634)	837 466 314	280 772 385	25 127 636	(454 645)	(772 710)	304 672 666	532 793 648

KWADUKUZA MUNICIPALITY

APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2007

	Opening Balance R	Additions R	Cost / Revaluation Under Construction R	Disposals R	Transfers R	Closing Balance R	Opening Balance R	Additions R	Accumulated Depreciation Disposals R	Transfers R	Closing Balance R	Carrying Value R
Executive & Council	56 338 200	6 739	-	(482 870)	-	55 862 069	4 387 775	4 454 139	(101 465)	-	8 740 449	47 121 620
Planning & Development	88 649 865	2 376 448	-	-	-	91 026 313	21 491 327	199 080	-	-	21 690 407	69 335 906
Road Transport	208 889 876	8 471 293	7 306 854	(122 073)	-	224 545 950	97 200 280	6 663 677	(122 073)	-	103 741 884	120 804 066
Electrical	268 102 624	25 979 466	-	-	-	294 082 090	87 114 508	9 408 206	-	-	96 522 714	197 559 376
Housing	163 894 737	387 388	-	-	-	164 282 125	67 367 968	2 406 016	-	-	69 773 984	94 508 141
Other	283 231	8 834 587	2 920 631	(870 048)	(3 500 634)	11 168 401	3 210 527	1 996 518	(231 107)	(772 710)	4 203 228	6 965 173
	786 158 533	46 055 921	10 227 485	(1 474 991)	(3 500 634)	837 466 314	280 772 385	25 127 636	(454 645)	(772 710)	304 672 666	532 793 648

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KWADUKUZA MUNICIPALITY
APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

2006 Actual Revenue R	2006 Actual Expenditure R	2006 Surplus/ (Deficit) R		2007 Actual Revenue R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R
(15 720 479)	38 990 850	(23 270 371)	Executive and Council	(95 810 151)	12 473 671	83 336 480
(99 582 140)	26 044 321	73 537 819	Finance and Administration	(102 969 109)	31 593 388	71 375 721
(4 010 870)	8 452 327	(4 441 457)	Planning and Development	(4 334 176)	10 210 886	(5 876 710)
(3 049 343)	7 414 162	(4 364 819)	Health	(2 995 166)	8 266 183	(5 271 017)
(4 401 632)	10 312 560	(5 910 928)	Community and Social Services	(4 664 473)	13 162 468	(8 497 995)
(105 358)	5 276 855	(5 171 497)	Housing	(46 950)	4 743 274	(4 696 324)
(4 671 162)	23 753 252	(19 082 090)	Public Safety	(6 215 066)	25 392 447	(19 177 381)
(454 970)	18 797 661	(18 342 691)	Sports and Recreation	(672 356)	24 245 275	(23 572 919)
(15 533 265)	13 870 216	1 663 049	Waste Management	(23 865 055)	22 385 173	1 479 882
(107 218)	17 997 465	(17 890 247)	Road Transport	(277 142)	19 543 068	(19 265 926)
(131 988 023)	126 068 650	5 919 373	Electricity	(154 664 718)	142 165 575	12 499 143
			Other		-	-
(279 624 460)	296 978 319	(17 353 859)	Sub Total	(396 514 362)	314 181 408	82 332 954
-	(20 341 242)	20 341 242	Less: Inter-Departmental	-	(22 529 754)	22 529 754
(279 624 460)	276 637 077	2 987 383	Total	(396 514 362)	291 651 654	104 862 708

KWADUKUZA MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2007

	Actual 2007	Budget 2007	Variance 2007	Variance 2007	Explanation of significant Variance greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property rates	(84 635 221)	(92 541 328)	7 906 107	-8.54%	
Property rates- penalties imposed and collection charges	(5 136 662)	(6 000 000)	863 338	-14.39%	Result of effective debt collect - refer to increase in cash and investments.
Service charges	(161 709 634)	(156 781 381)	(4 928 253)	3.14%	
Rental of facilities and equipment	(591 988)	(667 948)	75 960	-11.37%	Leases cancelled during the year which was not anticipated.
Interest earned- external investments	(8 571 732)	(6 800 000)	(1 771 732)	26.05%	Result of effective debt collect - refer to increase in cash and investments.
interest earned- outstanding debtors	(3 717 060)	(60 000)	(3 657 060)	6095.10%	Incorrect budgeting technique used.
Fines	(5 747 604)	(6 021 000)	273 396	-4.54%	
Licences and permits	(3 978 154)	(4 399 180)	421 026	-9.57%	
Government grants and subsidies	(44 855 220)	(28 039 412)	(16 815 808)	59.97%	Incorrect budgeting technique used. Originally only operating grants budgeted for, however with the compilation of the SOFP capital grants have been included.
Other income	(11 133 166)	(10 209 250)	(923 916)	9.05%	
Gain on disposal of property, plant and equipment	(5 085 721)	-	(5 085 721)	-100.00%	The nature of the item is such that it cannot be budgeted for.
Revaluation of investment properties	(61 352 200)	-	(61 352 200)	-100.00%	The nature of the item is such that it cannot be budgeted for.
Total Revenue	(396 514 362)	(311 519 499)	(84 994 863)	27.28%	
EXPENDITURE					
Executive & Council	12 473 671	13 460 084	(986 413)	-7.33%	Over budgeting for depreciation.
Finance & Admin	31 593 388	42 273 769	(10 680 381)	-25.26%	The variance is as a result of vacant positions not filled .
Planning & Development	10 210 886	11 142 356	(931 470)	-8.36%	
Health	8 266 183	9 098 123	(831 940)	-9.14%	
Community & Social Services	13 162 468	13 139 488	22 980	0.17%	
Housing	4 743 274	9 561 084	(4 817 810)	-50.39%	This also relates to vacancies not filled timeously and therefore affecting the general expenditure, hence the huge variance.
Public Safety	25 392 447	26 661 175	(1 268 728)	-4.76%	
Sport & Recreation	24 245 275	20 829 692	3 415 583	16.40%	The over expenditure pertains to the effective costing of work performed which resulted in expenditure correctly reflected, which was under-budgeted for during the current financial year.
Waste Management	22 385 173	20 624 678	1 760 495	8.54%	
Road Transport	19 543 068	19 352 699	190 369	0.98%	
Electricity	142 165 575	140 206 907	1 958 668	1.40%	
Inter- departmental charges	(22 529 754)	(22 789 172)	259 418	-1.14%	
Total Expenditure	291 651 654	303 560 883	(11 909 229)	-3.92%	
NET SURPLUS/ (DEFICIT) FOR THE YEAR	(104 862 708)	(7 958 616)	(96 904 092)	1217.60%	

KWADUKUZA MUNICIPALITY
APPENDIX E (2): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2007

	2007 Actual R	2007 Under Construction R	2007 Total Additions R	2007 Budget R	2007 Variance R	2007 Variance %	Explanation of Significant Variances Greater than 5% versus Budget
Executive & Council	6 739	-	6 739	16 000	9 261	57.88	Aircon budgeted and not bought
Finance & Admin	2 738 768	-	2 738 768	2 493 070	(245 698)	-9.86	Vehicles under budgeted
Planning & Development	2 376 446	-	2 376 446	1 823 100	(553 346)	-30.35	Vehicles under budgeted
Health	254 846	-	254 846	339 240	84 394	24.88	Vehicle and vehicle tracking system budgeted for and not bought
Community & Social Services	5 922 760	2 920 631	8 843 391	18 950 172	10 106 781	53.33	Projects not completed at year end
Housing	387 388	-	387 388	122 665 000	122 277 612	99.68	Housing asset not capitalised in housing operating account
Public Safety	3 298 819	-	3 298 819	6 311 800	3 012 981	47.74	Fire tenders budgteted for and not bought
Road & Storm water Drainage	8 471 293	7 306 854	15 778 147	22 580 801	6 802 654	30.13	Delay in completion of projects and contractor abandoned a site
Electricity	22 598 862		22 598 862	35 934 027	13 335 165	37.11	Under-expenditure to be rectified and project to be accelerated during 2007/2008
	46 055 921	10 227 485	56 283 406	211 113 210	154 829 804	73.34	

KWADUKUZA MUNICIPALITY
APPENDIX F : GRANTS AND SUBSIDIES RECEIVED - 2006/2007

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent prtion not disclosed in 05/06 financial statements	Unspent portion as disclosed in 05/06 financial statements	Unspent portion 2005/2006 financial statements	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2006/2007 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	reason for non-compliance
					July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
					1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-	-	-	7,425,038	5,567,665	9,277,956	-	22,270,659	3,183,702	4,092,405	6,204,378	8,790,174	22,270,659	-	NO			
MIG	DPLG	4,762,736	471,790	5,234,526	615,876			7,559,972	8,175,848	312,347	2,257,554	727,630	6,266,877	9,564,408	3,845,966	NO	N/A	YES	N/A
Coastal Care Grant	KZN Wildlife	-	-	-	-	-	-	250,160	250,160	-	-	162,752	146,547	309,298	-59,139	NO			
Provincial Health Subsidies	Provincial Health	-	-	-	-	712,120	753,161	725,412	2,190,693	712,120	753,161	725,412	841,676	3,032,369	-841,676	NO			
DME	Dept Minerals & Energy		38,671	38,671	-		6,000,000		6,000,000	-	1,359,562	1,743,132	2,934,015	6,036,709	1,962	NO	N/A	YES	N/A
FMG	National Treasury	94,273		94,273	500,000				500,000	76,264	46,642	21,810	73,979	218,695	375,578				
Umsobomvu	Umsobomvu				150,000			150,000	300,000	33,617	53,216	52,454	51,848	191,135	108,865				
GIS	LGTA	114,287		114,287					-	91,361			6,867	98,228	16,059				
LUMS	LGTA	280,000		280,000			112,000		112,000					-	392,000				
Admin Capacity	LGTA						100,000		100,000					-	100,000				
New Library	Provincial Libraries				294,635	1,695,204	532,554	2,071,744	4,594,137	258,452	1,487,021	498,694	642,256	2,886,423	1,707,714				
IDP	LGTA		50,000	50,000			-	-	-	-	5,248	31,281	9,557	46,085	3,915	NO	N/A	YES	N/A
PMS	LGTA		50,000	50,000			-	-	-					-	50,000	NO	N/A	YES	N/A
IMG	LGTA		40,000	40,000			-	-	-					-	40,000	NO	N/A	YES	N/A
Community Development Workers	LGTA		16,351	16,351	-		-	-	-					-	16,351	NO	N/A	YES	N/A
MSIG	LGTA		31,427	31,427	150,000				150,000	42,822	109,536	23,280		175,638	5,789	NO	N/A	YES	N/A
LGTA	LGTA							250,000	250,000					-	250,000				
DTI	Dept Trade and Industry							2,659,504	2,659,504					-	2,659,504				
GIJIMA	Dept Economic Development							80,010	80,010				80,010	80,010	-				
Unidentified							1,719,167		1,719,167					-	1,719,167				
LED GRANT	LGTA		123,251	123,251					-					-	123,251	NO	N/A	N/A	N/A
		5,251,296	821,490	6,072,786	9,135,549	7,974,989	18,494,838	13,746,801	49,352,177	4,710,685	10,164,345	10,190,822	19,843,806	44,909,657	10,515,306				
				6,072,786					49,352,177					44,909,657					
									Reflected as other debtors - claims submitted awaiting settlement - Note 17						900,815				
									Unspent grants at 30 June 2007 - Note 8						11,416,121				